



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204-3585

Reply to
Attn. of:

CACFP - 469

MAY 17 1996

Subject:

Child and Adult Care Food Program (CACFP) Verification Adjustments

To:

STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, Missouri DH,
(Child Nutrition Programs) Montana DPHHS, Nebraska ED, North Dakota,
South Dakota, Utah and Wyoming

As a result of discussions at the Regional Consultants' Meeting in Colorado Springs, we were requested to clarify the policy on adjusting claims as a result of verification of Income Eligibility Forms (IEFs).

Section 226.23(h)(4) states that if verification results disclose that an institution has inaccurately classified or reported the number of participants eligible for free, reduced-price or paid meals, the State Agency (SA) shall adjust the rates of reimbursement retroactive to the month in which the incorrect eligibility figures were reported to the SA. This is further stated in the Verification Guidance, III C. Corrective Action. Therefore, when an SA finds problems in the determinations made on IEFs or in the reporting of numbers by category, it must go back to the point in which that error was made to make adjustments. This could at times require that adjustments be made back into the prior fiscal year, depending on when the error occurred.

For an SA that pays on actual meal counts by category, an adjusted claim for each month involved would be required. Where percentages are used to pay claims, the SA must recompute percentages based on the new number of free, reduced-price and paid participants to determine if the percentages would change. It is possible that if the error(s) found is insignificant, it may not change the original percentages, and adjusted claims would not be required. However, adjusted claims would be required if new percentages indicated the amount of reimbursement the institution earned was different from that originally paid.

For those SAs that have either been adjusting only for the month of the review, back to the beginning of the fiscal year or when the latest percentages were provided by the institution, procedures will need to be changed immediately to reflect adjustments back to the point at which the original error(s) was made.

If you have any questions regarding this policy, please contact a member of my staff at (303) 844-0359.

Ann C. De Groat
ANN C. DEGROAT
Regional Director
Child Nutrition Programs